

SECRET

OLC 73-1473

26 December 1973

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with William M. Jones, Staff Director, House Subcommittee on Government Activities, House Government Operations Committee

1. Met with William Jones, Staff Director, House Subcommittee on Government Activities, House Government Operations Committee, and in closing out the follow-up items from Mr. Warner's meeting of 14 December 1973, I:

(a) gave him an unclassified version of the "Memorandum of Law," and told him that the Acting Assistant Attorney General, Civil Division, agrees with the Agency's position;

(b) let him review the SAT financial statement as of 31 December 1971 and 31 December 1972 prepared by Coopers and Lybrand, in order for him to make his own determinations concerning the company's assets;

(c) told him that the company would not be operating under CAB authority but had made application to FAA for a 121 authority which would permit the company to provide services to government agencies and others on a charter or contract basis, but not for MAC;

(d) gave him copies of the two sales contracts;

(e) reviewed the history of the negotiated price including, the Cooper and Lybrand appraisal in the summer of 1972 of \$5.225 million as a going concern and \$4.25 million if dissolved, Williams' December 1972 offer of \$5 million, the Agency's evaluation of between \$5.7 million to \$5.9 million and Williams' counter proposal of \$5.27 million; and

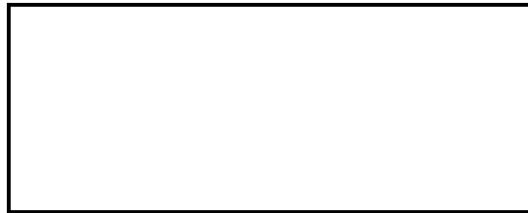
(f) pointed out that the financial arrangements covered in the contracts included loans amounting to \$4.125 million.

SECRET

2. Jones said this answered his questions but he wasn't sure whether William H. Copenhaver, Professional Minority Staff Member, House Government Operations Committee, who was not available for the session, would have any further questions. Jones feels we may be on questionable legal grounds but admitted that he had not studied the "Memorandum of Law," which I said made a persuasive case.

3. I informed Jones that withdrawal of the pending application before the CAB would become effective 27 December 1973 under the order to show cause and that the date of settlement had been extended to 3 January 1974. Jones said his first opportunity to see Chairman Brooks, House Subcommittee on Government Activities, House Government Operations Committee, on the matter would be 3 January 1974.

4. In deferring to Brooks on any further action concerning SAT, Jones made a pitch for the legitimacy of oversight of CIA activities by the Government Operations Committee or its subcommittees. He agreed that Chairman Nedzi, Special Subcommittee on Intelligence, House Armed Services Committee, was doing an outstanding job but still feels that oversight will continue to be a problem on the Hill for CIA and that one of the benefits of broader accountability is greater open-mindedness when exploring alternatives. I told Jones that although he may not be aware, we had sought the advice and counsel of Herb Roback, Staff Director, House Government Operations Committee, concerning the sale of SAT and that we had informed and obtained opinions from members and staff of the Agency's oversight committees. At Jones' initiative, we then discussed Watergate and a number of other matters on congressional executive agency responsibilities and departed amicably promising to keep each other advised of any significant developments concerning SAT prior to 3 January 1974.



Associate Legislative Counsel

25X1

Distribution:

Original - Subject

1 - OGC

1 - SA/DD/S

SECRET